



*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*



LM096949

Need For The
Federal Power Commission
To Evaluate The Effectiveness
Of The Natural Gas
Curtailment Policy

The Federal Power Commission lacks authority to obtain the necessary information to evaluate the effectiveness of its natural gas curtailment policy because its jurisdiction does not extend to intrastate pipeline and distributing companies. The Commission is attempting a coordinated effort with the Federal Energy Administration to obtain the needed information, but the effort has not been underway long enough to determine its value. If unsuccessful, the Commission should seek legislative revision to the Natural Gas Act to obtain the information needed.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D. C. 20548

B-181503

The Honorable Pierre S. du Pont
House of Representatives

Dear Mr. du Pont:

This is our report on the need for the Federal Power Commission to evaluate the effectiveness of natural gas curtailment policy. We made the review in accordance with your request of June 13, 1974, as modified by subsequent discussions with you.

We invite your attention to the fact that this report contains recommendations to the Chairman of the Commission which are set forth on page 16. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We will be in touch with your office in the near future to arrange for the release of the report so that the requirements of section 236 can be set in motion.

Sincerely yours,

Comptroller General
of the United States

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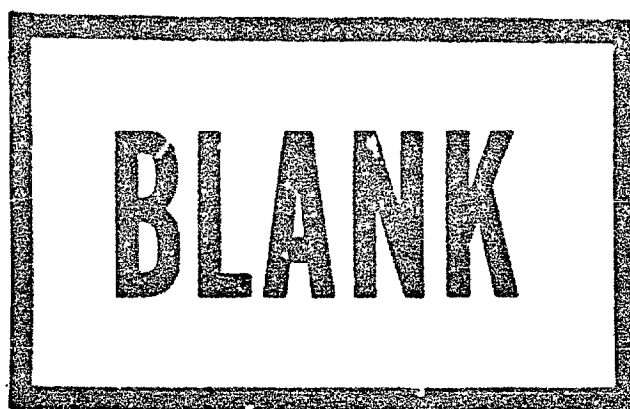
C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Natural gas shortage	1
2	NEED TO EVALUATE EFFECTIVENESS OF NATURAL GAS CURTAILMENT POLICY	4
	Establishment of natural gas curtailment policy	5
	Information obtained under current authority is inadequate for evaluation purposes	7
	Attempts to obtain end-use and economic impact information	11
	Conclusions	13
	FPC and FEA comments and our evaluation	14
	Recommendations to the Chairman, FPC	16
3	SCOPE OF REVIEW	17
APPENDIX		
I	Letter dated July 7, 1975, from the Chairman, Federal Power Commission	18
II	Letter dated July 18, 1975, from the Administrator, Federal Energy Administration	37

ABBREVIATIONS

FEA	Federal Energy Administration
FPC	Federal Power Commission
GAO	General Accounting Office
MCF	thousand cubic feet
TCF	trillion cubic feet
Transco	Transcontinental Gas Pipe Line Corporation

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COMPTROLLER GENERAL'S REPORT TO
THE HONORABLE PIERRE S. DU PONT
HOUSE OF REPRESENTATIVES

NEED FOR THE FEDERAL POWER
COMMISSION TO EVALUATE THE
EFFECTIVENESS OF THE NATURAL
GAS CURTAILMENT POLICY

D I G E S T

To deal with the critical natural gas shortage, the Federal Power Commission established a curtailment policy to limit adverse effects of the shortages through end-use priorities which best serve the public interest.

The Commission's jurisdiction extends only to interstate pipeline companies and not to intrastate pipeline or distributing companies. Therefore it lacks authority to obtain the necessary information to evaluate the effectiveness of its natural gas curtailment policy. The intrastate pipeline or distributing companies account for most of the gas sold to consumers.

The Commission has recognized the need for end-use and economic impact information but, so far, has been unsuccessful in obtaining the needed information by indirect means. The Commission, with the Federal Energy Administration, is attempting to obtain the needed information.

Because of the Commission's past unsuccessful efforts, GAO is not sure that the current effort will be successful; it believes the Commission should continue its efforts until a determination can be made. GAO is recommending that the Commission report to the Congress on the results of the coordinated effort. GAO is recommending that, if the desired results are not obtained or if the Commission finds the mechanism too cumbersome, the Commission seek legislative revisions to the Natural Gas Act to extend the Commission's authority to obtain information on (1) natural gas sales by intrastate pipeline and distributing companies and (2) the end use of the gas by ultimate consumers who purchase the gas from interstate and intrastate pipeline and distributing companies. (See p. 16.)

Natural gas constitutes about 33 percent of the Nation's total energy consumption. Demand for natural gas began exceeding supplies as early as 1970 when some interstate pipeline companies first

found it necessary to curtail natural gas deliveries to their firm customers. (See p. 1.)

To evaluate the effectiveness of its curtailment policy, the Commission needs information on the end use of gas supplies and on the economic impact of the shortages on the areas affected.

Without end-use and economic impact information, the Commission cannot determine whether pipeline companies are distributing available natural gas as specified in approved curtailment plans or whether modifications are needed to achieve curtailment policy objectives. The Commission also needs such information to make decisions on future natural gas matters, such as allocating available natural gas among geographic areas to equalize the shortage, and to keep the Congress informed as it considers the natural gas deregulation issue. (See p. 4.)

Because the Commission has no authority to obtain end-use and economic impact information it has tried to monitor its policy by obtaining information under its present authority over interstate pipeline companies. Although the information obtained was adequate to show that generally gas curtailments were increasing in broad areas of the country, it did not show how the gas was being used or the economic impact of the shortages on the areas or communities involved. (See p. 7.)

To illustrate the problem, GAO reviewed gas curtailments in Delaware and found that the curtailment reports filed by the interstate pipeline companies did not show the actual economic impact of the curtailments on the State. The primary reason was that Delmarva Power and Light Company, the principal supplier of gas in Delaware, is an intrastate distributing company and not under the Commission's jurisdiction. Consequently, the Commission has no means of obtaining a major portion of the data affecting Delaware. (See p. 6.)

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CHAPTER 1

INTRODUCTION

The Federal Power Commission (FPC) is an independent regulatory agency operating under the Federal Power Act (16 U.S.C. 792) and the Natural Gas Act (15 U.S.C. 717) to regulate certain interstate aspects of the electric power and natural gas industries.

FPC Commissioners are appointed for a 5-year term by the President with the advice and consent of the Senate. The Chairman is designated by the President from among the members and is the principal executive. The FPC staff is composed of the Executive Director, who is responsible for the effectiveness and efficiency of staff operations, and 14 separate bureaus and offices which advise and assist the Commissioners in the discharge of their responsibilities.

Under the Natural Gas Act, FPC is responsible for regulating certain interstate aspects of the natural gas industry to insure an adequate supply of natural gas at reasonable prices to meet the Nation's energy needs. FPC issues certificates of public convenience and necessity to permit construction of new facilities and extensions of existing facilities by interstate natural gas companies. In addition, it regulates interstate natural gas pipeline companies' wholesale rates of natural gas, their accounting and reporting requirements, depreciation practices, and abandonment of property. It has no jurisdiction over intrastate pipeline companies.

As of December 31, 1974, there were 119 interstate natural gas pipeline companies making sales on a permanent basis in interstate commerce that were subject to the Natural Gas Act. The 34 largest companies sell about 90 percent of the natural gas sold in interstate commerce.

NATURAL GAS SHORTAGE

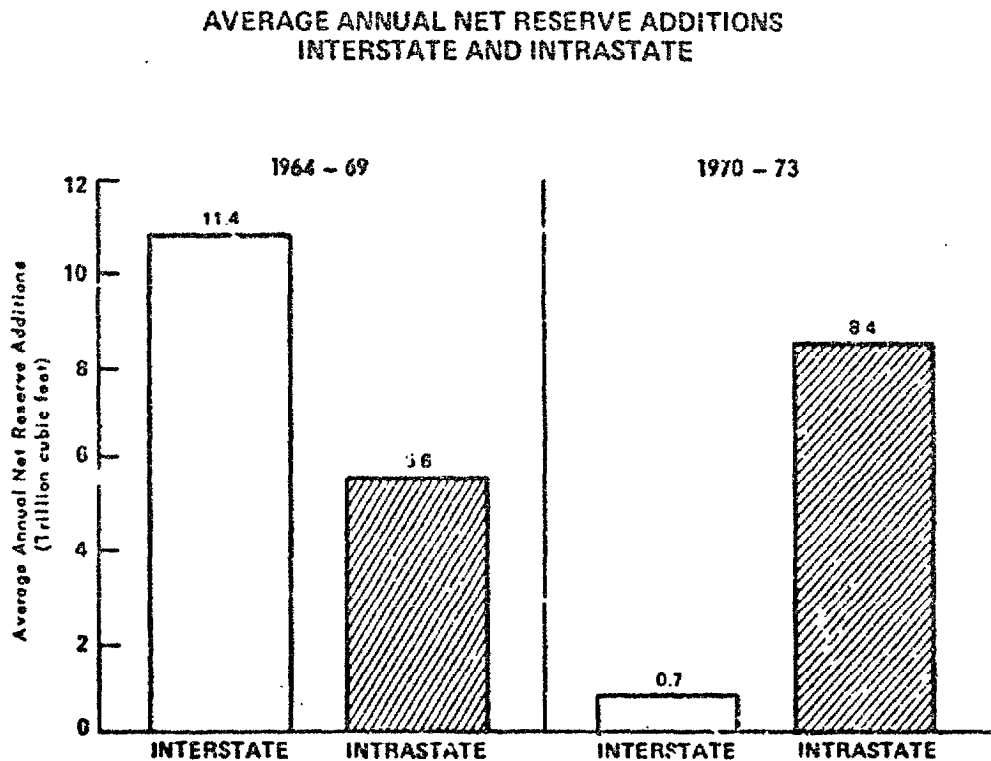
Natural gas constitutes about 33 percent of the Nation's total energy consumption. Natural gas has been preferred over other fossil fuels because the price has generally been low; gas presents no handling problems; there is no necessity for consumer storage facilities; the equipment is generally small, simple, and inexpensive; the fuel burns cleanly; and there is no waste disposal problem. Because of this preference, the use of natural gas has grown rapidly. Increased demand has been accompanied by reduced findings of additional gas in recent years. The result has been a natural gas shortage.

Gas supply and demand are dependent on many factors, including exploratory work, new technology, and pricing considerations. Nevertheless the relationship between gas supply and demand for the future has been developed for the Nation by FPC using, in part, data developed by the Future Requirements Committee which is a nongovernmental organization composed of members from the gas-producing, pipeline and distributing companies. Their projection, including the resulting shortage, is as follows:

Trends in Demand and Supply for Gas

Year	Demand	Range of supply	Range of shortage
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The following graph shows the recent trends toward committing reserves of the interstate and intrastate markets.



SOURCE: A Realistic View of U.S. Natural Gas Supply, December 1974, FPC Staff Report.

In an effort to better manage the nationwide shortage of natural gas, FPC established a policy to minimize curtailment effects through end-use priorities which it believes best serve the public's interest.

As Representative Pierre S. du Pont requested, we reviewed (1) FPC's efforts to effectively implement its natural gas curtailment policy and (2) gas curtailments in Delaware.

CHAPTER 2

NEED TO EVALUATE EFFECTIVENESS OF NATURAL GAS CURTAILMENT POLICY

FPC's policy is to minimize the effects of natural gas shortages through end-use priorities. The policy is carried out through approval of curtailment plans prepared by interstate pipeline companies delineating how available gas will be allocated to customers. To evaluate the effectiveness of its curtailment policy, FPC needs information on the end use of gas supplies and on the economic impact of the shortages on the areas affected. However, because FPC's jurisdiction extends only to interstate pipeline sales, it does not have authority to obtain the necessary information.

Without end-use and economic impact information, FPC cannot determine whether pipeline companies are distributing available natural gas as specified in the approved curtailment plans or whether modifications are needed to achieve curtailment policy objectives. FPC also needs such information to make decisions on future natural gas matters, such as allocating available natural gas among geographic areas to equalize the shortage, and to keep the Congress informed as it considers the natural gas deregulation issue.

FPC lacks authority to obtain end-use data on sales by intrastate pipeline companies, including sales by any company that receives natural gas within or at the boundary of a State if all the gas received is ultimately consumed within the same State. Most gas consumed by end users is sold by intrastate pipeline and distributing companies.

Without authority to obtain end-use and economic impact data, FPC has tried to monitor its policy by obtaining data under its present authority over interstate pipelines. Although the information is adequate to show that generally gas curtailments were increasing in broad areas of the country, it does not show how the gas is being used or the economic impact of the shortages on the areas or communities involved.

Our review of gas curtailments in Delaware showed that the curtailment reports filed by interstate pipeline companies did not show the actual economic impact of the curtailments on the State.

FPC has recognized the need for end-use and economic impact information and recently has unsuccessfully attempted to obtain the needed information by indirect means. However, such efforts are continuing.

ESTABLISHMENT OF
NATURAL GAS CURTAILMENT POLICY

When the supply of natural gas cannot meet general needs, some very difficult decisions must be made with respect to consumers who must be curtailed. Interstate pipeline companies, with the approval of FPC, make these decisions. Decisions to curtail specific customers are simultaneously an allocation of available supply to other users. FPC has identified a number of factors that interstate pipeline companies should consider in making such decisions: (1) safety, (2) efficiency of gas use, (3) consumer reliance on gas for its unique characteristics, (4) availability and practicality of alternate fuel substitution, (5) environmental impact, (6) volumetric impact, (7) economic factors, and (8) relationship of gas use to human need requirements. The overall intent of FPC's policy was to minimize the effects of the shortage through end-use priorities that best serve the public interest.

On April 15, 1971, FPC issued Order 431 for emergencies when adequate gas supplies were not available to the consumer. The order was to insure that interstate pipeline companies would take steps necessary to protect adequate and reliable service. The order recognized, however, that certain natural gas pipeline companies would be unable to deliver enough gas to meet demands. In this regard, the order required that pipeline companies anticipating problems file a curtailment plan. Pipeline companies were directed to consider curtailing interruptible sales and large boiler fuel sales where alternate fuels were available. Interruptible sales are made under contracts which do not expressly obligate the seller to deliver specific volumes within a given time and which permit the seller to interrupt service on short notice.

On January 8, 1973, FPC issued Order 467 which refined FPC's curtailment policies by ordering interstate pipeline companies curtailing natural gas to follow a priority-of-service system.

The priority-of-service system considers the end use of the natural gas placing all consumers into one of eight categories and allowing higher priority consumers to be curtailed only after all lower priority consumers on a pipeline system had been curtailed.

The priority-of-service categories follow.

1. Residential and small commercial (less than 50 thousand cubic feet (MCF) on a peak day).

2. Large commercial (50 MCF or more on a peak day) and firm industrial requirements for plant protection, feedstock, and process use.
3. Industrial customers not specified in category 2, 4, 5, 6, 7, or 8.
4. Firm industrial customers using between 1,500 and 3,000 MCF each day for boiler fuel where alternate fuel capabilities can meet such requirements.
5. Firm industrial customers using more than 3,000 MCF each day for boiler fuel where alternate fuel capabilities can meet such requirements.
6. Interruptible customers using less than 1,500 MCF each day.
7. Interruptible customers using between 1,500 and 3,000 MCF each day.
8. Interruptible customers using more than 3,000 MCF each day.

We noted that residential customers used an average 0.38 MCF each day and a large fertilizer company used 10,600 MCF each day.

Although firm and interruptible services denoted contractual arrangements rather than end-use commitments, FPC concluded in Order 467 that interruptible sales were predicated on end-use considerations and that those customers requiring gas for human needs service or nonsubstitutable industrial service did not contract on an interruptible basis. Thus, interruptible sales were given the lowest priority.

The end-use priority system for firm services is predicated on the proposition that large volume boiler fuel use is the least efficient use of natural gas and should be the first firm service curtailed.

FPC issued Order 467-A on January 15, 1973, revising Order 467 by permitting pipeline companies to respond immediately to meet emergency situations that may occur during periods of curtailments.

FPC issued Order 467-B on March 2, 1973, revising the curtailment policies established in 467 and 467-A by primarily changing the eighth priority-of-service category and by adding a ninth, as follows:

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8. Interruptible customers using between 3,000 and 10,000 MCF each day, where alternate fuel capabilities can meet such requirements.
9. Interruptible customers using more than 10,000 MCF each day, where alternate fuel capabilities can meet such requirements.

In addition, Order 467-B added "where alternate fuel capabilities can meet such requirements" to priority-of-service categories 6 and 7.

FPC issued Order 493 on September 21, 1973, adopting certain definitions to standardize end-use classifications and priority-of-service categories. However, the basic nine-category end-use priority system remained intact. Some definitions specified in Order 493 were refined further in FPC Order 493-A issued October 29, 1973. In Order 493-A FPC conceded that, as the result of the lack of uniform market data, implementation of end-use curtailment programs may result in undue discrimination and preference among the ultimate consumers.

FPC did not issue other curtailment policy statements until Order 467-C, issued April 4, 1974. This order revised FPC regulations about filing requests for relief from curtailments.

INFORMATION OBTAINED UNDER CURRENT AUTHORITY
IS INADEQUATE FOR EVALUATION PURPOSES

Interstate pipeline companies provide information to FPC for considering proposed curtailment plans. The material contains historical information about end use of natural gas and some material contains information on the estimated effects of future natural gas curtailments. This information, however, does not allow for monitoring the effects of curtailments while curtailment plans are being studied during formal proceedings or after FPC approves the plans.

Therefore, beginning in September 1973, FPC sought to monitor its curtailment policy by requiring interstate pipeline companies to furnish curtailment reports regularly.

Generally, however, the natural gas curtailment information the interstate pipeline companies reported to FPC did not show the economic impact of such curtailments on the areas involved. The curtailment reports (1) contained no information on gas deliveries and curtailments of intrastate pipeline companies, which supply most of the gas consumed by end users, (2) did not consider to what extent alternate fuels or stored gas was available to offset the gas curtailments, and (3) contained no information on what gas supplies the curtailed pipeline customers may

themselves own or purchase directly from producers. The following information, most of which was obtained in Delaware, demonstrates this point.

Information obtained on
gas curtailments in Delaware

Two companies--Eastern Shore Natural Gas Company and Delmarva Power and Light Company--supply all the natural gas consumed in Delaware. Eastern Shore serves customers in Delaware and eastern Maryland. Most of Eastern Shore's sales are to industrial customers or distribution companies. Delmarva serves residential, commercial, and industrial customers in northern Delaware.

Both companies have the same supplier of natural gas--Transcontinental Gas Pipe Line Corporation (Transco), an interstate pipeline, which purchases natural gas primarily in Texas and Louisiana and transports it up the east coast. Eastern Shore, an interstate pipeline company, is under FPC jurisdiction; Delmarva, an intrastate pipeline company, is not under FPC jurisdiction.

Transco's firm contract with Eastern Shore is for 22,900 MCF each day, and its firm contract with Delmarva is for 54,800 MCF each day. Although FPC receives regular reports about Delaware's gas shortage from Transco and Eastern Shore, the information in these reports is inadequate to determine the effect of the natural gas curtailments on the State. For example, these reports for the September 1973 through August 1974 period showed that Transco curtailed its firm customers, including Eastern Shore and Delmarva by 19.34 percent. Eastern Shore in turn, however, reported a less-than 1-percent curtailment of its firm customers but curtailed its interruptible customers by about 86 percent. Delmarva, as an intrastate distributing company, was not required to file any reports.

In its projections for the September 1974 through August 1975 period, Transco estimated that it would curtail its firm customers about 27.7 percent, although a contemplated change in the curtailment method made it uncertain as to how much each customer would be curtailed. Because of the uncertainty as to how much it would be curtailed by Transco, Eastern Shore could not project the amount of curtailments for its customers.

In summary, the curtailment reports include only general curtailment information; they contain no information on how the curtailments have affected Delaware. The reports do not provide a basis on which to determine the effect of Eastern Shore's 86-percent curtailment of its interruptible customers. Even more important, because Delmarva is the largest gas

supplier in Delaware and is not under FPC's jurisdiction, FPC has no means of obtaining a major portion of the data affecting Delaware.

Effect of natural gas curtailments in Delaware

In November 1974 Eastern Shore and Delmarva representatives told us that firm customers were not greatly affected by Transco's curtailments but that they could not meet all the demands for gas on an interruptible basis. Eastern Shore and Delmarva representatives said that curtailed interruptible customers, who used the gas as boiler fuel, had anticipated the curtailments and had made arrangements to purchase alternate fuel. In addition, they said that customers receiving interruptible gas accepted the fact that the natural gas they received was considered excess and appreciated the low-cost fuel when it was available.

One customer of Eastern Shore said that he used oil and gas as boiler fuel to produce electricity. He contracted for a certain amount of firm gas and interruptible gas from Eastern Shore when it was available. The customer told us that during the heating season--November 1973 to March 1974--interruptible gas was offered by Eastern Shore but it was refused even though it was about one-third of the cost of the fuel oil being burned. The reason given was that past fuel oil allotments were based on historical consumption, and the customer was afraid that, if such an allocation system continued, consumption would be artificially low and would result in lower future oil allocations. A customer told us that, when interruptible gas was not available, his company's demand for firm gas was always less than it has contracted for because it needed only enough gas to keep pilots going to ignite the fuel oil.

Although Eastern Shore was curtailing firm deliveries, such curtailments occurred in only a few instances as of November 1974, and then only for major industrial customers for a short time.

--A 25- and 20-percent curtailment each lasting 1 day in January 1973.

--A 14-percent curtailment lasting 3 days in December 1973.

--A 16-percent curtailment lasting 19 days in January 1974.

--A 20-percent curtailment lasting 12 days in October 1974. Moreover, as of November 1974, Delmarva, the largest gas supplier in Delaware, had never curtailed firm deliveries.

We examined the implications of Eastern Shore curtailments of its eight industrial customers and generally found that:

--Most customers curtailed took less gas than their entitlement. We did not determine why, although we noted that most of the customers usually took less than the contract amount.

--Three customers took gas out of storage to offset curtailments. The use of stored gas and its impact on curtailments are discussed in the next section of this chapter.

--Some customers have a propane injection system which can augment the shortened gas supply. In such cases the effect of the curtailments could be reduced. Eastern Shore did not know how many of its customers used propane.

Use of stored gas to offset curtailments

Since customer demand for natural gas does not remain constant, some pipeline companies provide a gas storage service whereby customers can offset the effects of gas curtailments during peak periods by withdrawing gas stored by pipelines in underground reservoirs. However, gas withdrawals during peak periods must be replaced during nonpeak periods. To replace gas in storage, customers use less than their allotment from the pipeline and divert it to the storage fields.

Transco provides a gas storage service for its customers, including Eastern Shore and Delmarva. Transco has delegated the decision to extract gas from storage during peak periods to Eastern Shore and Delmarva. Eastern Shore allows its customers to make the decision as to when to use stored gas. Delmarva, however, considers the stored gas when deciding on the allotment of gas to its customers. Also, Delmarva has storage capacity (250,000 MCF) of its own that gives them even greater flexibility in the use of allotted gas.

Gas curtailment reports filed with FPC do not show the effects of stored gas on the pipeline companies' ability to serve their customers. Using stored gas has helped the Delaware pipeline companies keep the effects of curtailments to a minimum, although reports filed with FPC show a more serious situation.

Curtailments offset through exploration or direct purchase

Many pipeline companies are involved in exploring for natural gas or in purchasing gas directly from producers. By such means, customers are able to obtain the gas needed to offset curtailments by their suppliers. To the extent that curtailments

might be offset by gas from these other sources, FPC curtailment reports would be misleading.

For example, Elizabethtown Gas Company of New Jersey is an intrastate distributing company principally supplied by Transco. To increase its gas supply, an affiliate company produces gas in Texas and Louisiana and the gas is then transported to Transco's lines, where arrangements have been made for Transco to transport the gas to Elizabethtown Gas Company. With this additional supply, Elizabethtown Gas Company has been able to offset all Transco's curtailments. The information provided to FPC, however, would not reflect this situation. Monthly curtailment reports for Transco showed firm curtailments to Elizabethtown Gas Company of 2,342,157 MCF over the 3-month period ended December 1974. The Elizabethtown Gas Company, however, had anticipated that such curtailments could be offset with its own gas.

ATTEMPTS TO OBTAIN END-USE AND ECONOMIC IMPACT INFORMATION

On various occasions, FPC officials have recognized the need for information about the end use of natural gas and about the economic impact of curtailments on the areas involved. For example, in July 1974 the FPC Chairman said that end-use information on gas would be of material assistance to FPC in determining the dimension and impact of the natural gas shortage. He also said that FPC and other Government agencies particularly wanted related information on curtailment experience at the user level. This information was needed to analyze the gas supply-demand situation for the 1974-75 winter and to estimate what would be the need for alternate fuels.

Because it lacks the authority to get the necessary information by direct means, FPC has unsuccessfully tried to get the information by indirect means. For example, in July 1974 FPC tried to obtain certain data from 42 interstate pipeline companies on a one-time basis in conjunction with a request from the Federal Energy Administration (FEA) for certain energy related information. The information requested was for determining the impact of curtailments on individual pipeline customers for the 1974-75 heating season (November through March).

To obtain uniform data, FPC provided three schedules for the pipeline companies to submit. These schedules, each for a different class of customer, were designed to obtain data on the estimated end use of the curtailed volumes of gas, the alternate fuel needed to offset these curtailments, and the availability of alternate fuels. In its request FPC said that this data was needed because present data did not provide an analysis of how the natural gas deficiency would be allocated

to each pipeline customer or which types of users might be affected. FPC said that without information concerning the impact of curtailments on each customer, a more meaningful assessment of the impact of the national natural gas shortage was impossible.

FPC was unsuccessful, however, in obtaining the curtailment data requested. The data provided on one of the schedules was merely a restatement of data already available. The data for the other two schedules was either incomplete or not submitted, and FPC has no authority to force compliance with its request.

In another instance, FPC spearheaded an interagency task force in an attempt to get information on the effects of gas curtailments and on how best to minimize the impact of the gas shortages. In his letter of August 8, 1974, asking cooperation of other Federal agencies on the task force, the FPC Chairman said:

"In order to provide a background for policy making procedures, the Federal Power Commission is establishing a Task Force to examine the impact of present and prospective curtailment of gas service on agriculture, industry, employment and the economy.

"* * * The Task Force should include policy level representatives (Assistant Secretary or Assistant Administrator) plus other analysts who can identify the effects of gas curtailments and provide the technical and analytical expertise that is needed to determine the means to minimize the impact of gas curtailments."

The task force relied heavily on FPC's natural gas curtailment information obtained from interstate pipeline companies. Such information, as stated previously, contains little information on the economic impact of gas curtailments. Consequently, the task force report of December 1974 contained little information on the specifics of the end use of available natural gas or the economic impact of the shortages. For example, in describing the economic impact of gas curtailments on the manufacturing industry, the report said that the lack of information on the extent and location of likely curtailments, the availability and technical feasibility of alternate supplies of energy, and the criticality of natural gas in specific processes preclude quantitative estimates of the probable direct and indirect effects on employment and output.

FPC has also requested information about the natural gas shortage and curtailments from the Future Requirements Committee. According to an FPC official, the information FPC obtained

received limited use primarily because FPC could not determine the accuracy of the information; it had no authority to review the basic information supplied to the Future Requirements Committee and, therefore, could not check the validity.

FPC is making another effort to obtain the needed information through the FEA. This effort originated at a meeting in November 1974 which included representatives of FEA, FPC, and 24 other concerned organizations.

At the meeting, FEA expressed a desire to obtain historical data on curtailments, end uses, and alternate fuels of gas distributors' customers. FEA suggested that FPC use FEA's authority to collect the data from the intrastate distributors.

FEA has been given broad information-gathering authority under the Federal Energy Administration Act of 1974 (88 Stat. 96). Under such authority FEA may require any person engaged in energy supply or major energy consumption to provide any information as may be necessary to enable the Administrator to carry out his functions under the act.

A working committee was established, consisting of staff members of FPC, FEA, and the National Association of Regulatory Utility Commissioners. An FPC official on the working committee told us the collection of the curtailment data was still in the planning stage but the committee planned to obtain curtailment data each quarter from interstate and intrastate pipeline companies that sell gas to end-use customers. The data will include deliveries, curtailments, and alternate fuel needs by individual customers with 100,000 MCF or more of deliveries each year and will include combined data for all customers with less than 100,000 MCF of deliveries each year.

FPC discussed the current status of this work in its July 7, 1975 comments on our findings and conclusions. These comments are summarized on page 14 of this report.

CONCLUSIONS

To minimize the effects of natural gas shortages, FPC established a curtailment policy designed to provide guidance to interstate pipeline companies as to which consumers are to be provided with, or denied the use of, natural gas on a priority-of-service basis. These priorities are based upon the end use of the natural gas which FPC believes will best serve the public's interest.

One of the primary aims of the curtailment policy is to deny natural gas to end users who will not be seriously affected by such denial. To fulfill this objective it is essential that

both end-use and economic impact information be obtained. FPC has recognized the need for such information, but, under its present authority, which extends only to interstate pipelines, it cannot obtain needed information from intrastate pipeline and distributing companies, which accounts for most of the gas sold to the ultimate consumer.

The regular reports on curtailments from interstate pipeline companies are helpful but are inadequate for evaluating FPC's curtailment policy. FPC's attempts to obtain the necessary information through indirect means have been generally unsuccessful. However, such attempts are continuing.

Without reliable information on how natural gas is being used and on the economic impact that gas shortages are having on areas of the Nation, FPC is not in a position to determine if interstate pipeline companies are effectively carrying out approved curtailment plans or to make decisions about future use of natural gas.

FPC AND FEA COMMENTS AND OUR EVALUATION

In commenting on our findings and conclusions, FPC, in a letter dated July 7, 1975, stated its belief that it had administered its curtailment policies in as effective a manner as possible in the light of its statutory abilities and the sheer magnitude of the curtailment problem. FPC did believe, however, that an expansion of its authority to obtain natural gas data would facilitate the discharge of its statutory responsibilities and pointed out that it had supported such expansion for many years.

FPC also described many recent actions it had taken to increase the amount and reliability of the data it depended upon in formulating curtailment policies. The principal action discussed and the only one aimed at the continuous monitoring of gas curtailments was the recent promulgation of FPC form 69 issued June 25, 1975. This form was developed in coordination with FEA, the National Association of Regulatory Utility Commissioners, and other governmental agencies. It resulted from the action described on page 13 of this report.

Form 69 will help FPC to acquire, on a regular basis, information regarding the alternate fuel situation of pipeline companies' direct end-use customers.

Form 69 will be filed with FPC only by jurisdictional suppliers. Suppliers of natural gas who are not subject to the jurisdiction of FPC will not be affected by the promulgation of form 69 but will be required to file a similar form with FEA, thereby satisfying the mutual requirements of both FPC and FEA for this information.

The information required by form 69 was to be submitted to FPC by August 1, 1975, for the actual period from April 1, 1974, to March 31, 1975, and for the quarterly period ended June 30, 1975, and thereafter on a quarterly basis on or before April 30, July 30, October 30, and January 30 of each year.

FPC described other actions in its comments which provided, or should provide, natural gas data for use in assuring that particular end users' needs are recognized and in determining how projected shortages will have an impact on several interstate pipeline systems. These actions included (1) FPC's procedures for granting emergency relief from curtailment to users who can justify such relief and (2) an order directed against 14 interstate pipeline companies aimed at informing FPC as to how the companies plan to deal with their projected shortages. Information resulting from such actions is useful in managing curtailments, but it is obtained on a one-time basis and does not provide a means of continually monitoring the effects of curtailments.

Although FPC has proposed or supported legislation in past years to increase its information-gathering authority, many of these proposals were made when natural gas was plentiful and the urgent need for the data was difficult to support. This may be the main reason that efforts to enact such legislation in the past have been unsuccessful.

Although we continue to believe that the probable solution to the problems discussed in this report lies in additional information-gathering authority for FPC, we do not want to preclude the possibility that FPC's current coordination efforts with FEA and the use of form 69 will result in FPC's obtaining the information needed to effectively regulate curtailed gas deliveries.

If such efforts prove successful, it would eliminate the difficult task of trying to effect major legislative revisions.

In commenting on our preliminary report by letter dated July 18, 1975, the Administrator, FEA, stated that the data-gathering system it developed in conjunction with FPC would provide the necessary gas curtailment data for both interstate and intrastate pipelines, down to the ultimate consumer. FEA said that it was not imperative for FPC to seek legislation to obtain such data.

It remains to be seen, however, particularly in view of past unsuccessful efforts to obtain information on the impact of gas curtailment that working through FEA will provide FPC

with the data it needs. A means of verifying the data obtained from FEA is one problem to be resolved. The fact that FEA's authority expires in 1976 must also be considered in arriving at the final solution.

Nevertheless we believe that this latest effort by FPC and FEA should be tried to see if the needed information can be obtained in the manner devised. The Congress should be kept apprised of the status of this latest request for information and of any additional actions that may be necessary to successfully accomplish the desired objectives.

The Administrator, FEA, made two additional comments in his letter. He said that, with the present information provided, it is possible for FPC to adequately assess the impacts of the gas curtailment policies on users. Our report discussed this issue at length and concluded that FPC did not get adequate information to assess the impact of natural gas curtailments. FPC's comments on our report did not refute our conclusion. The Administrator said also that interstate pipelines include gas held in storage in projecting available supply and levels of curtailments or supply deficiencies. Although pipelines may consider the amount of gas in storage in making projections, we found that reports filed with FPC concerning Delaware do not show the effects of stored gas on the pipelines ability to serve their customers. FPC comments on our preliminary report did not refute our facts on this point either.

RECOMMENDATIONS TO THE CHAIRMAN, FPC

We recommend that the FPC Chairman report to the Congress on the results of the FPC-FEA coordinated effort to obtain the natural gas curtailment data needed to evaluate the effectiveness of FPC's curtailment policy. The report should comment on the adequacy of the data and on additional actions needed to obtain the data.

We recommend that, if the desired results are not obtained or if FPC finds the mechanism too cumbersome, the FPC Chairman seek legislative revisions to the Natural Gas Act to expand FPC's authority to obtain information on (1) natural gas sales by intrastate pipeline and distributing companies and (2) the end use of the gas by ultimate consumers who purchase the gas from interstate and intrastate pipeline and distributing companies.

CHAPTER 3

SCOPE OF REVIEW

We made our review primarily at PPC headquarters offices in Washington, D.C. We visited the offices of Eastern Shore Natural Gas Company, Dover, Delaware, and Delmarva Power and Light Company, Wilmington, Delaware, and met with officials of these companies who were knowledgeable about their company's natural gas curtailment activities.

We also met with officials of the Delaware Public Service Commission and of the city of Dover, Delaware.

At PPC headquarters, we reviewed legislation, regulations, policies, and procedures relating to PPC's natural gas curtailment program, and curtailment reports.

FEDERAL POWER COMMISSION
WASHINGTON, D. C. 20426

OFFICE OF THE CHAIRMAN

July 7, 1975

Mr. Henry Eschwege
Director
Resources and Economic
Development Division
U. S. General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Eschwege:

As requested in your letter of June 20, 1975, I am transmitting the enclosed comments of the Commission on your proposed report to Congressman Pierre S. du Pont on the natural gas curtailment policy of the Federal Power Commission.

In addition to the enclosed comments I would like to invite your attention to page ii of your Digest, as amplified by the text of the report on page 5, to the effect that FPC needs information about curtailment details to make "decisions involving the necessity of deregulation of natural gas. . .". As you know, FPC is not empowered to deregulate. If GAO means that the FPC is responsible for developing some kind of end-use impact information for Congress to use in its decisions relating to deregulation, the text of your report should be clarified to so state.

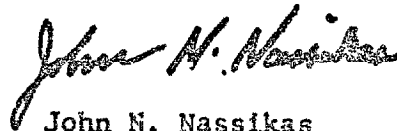


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Mr. Henry Eschwege

On page 22 of your draft report it is indicated that the FPC is planning another effort to obtain the needed end-use information "primarily because of the desires of FEA." This is inaccurate and should be revised. The FPC has indicated to FEA for over one year that it is essential to secure information concerning the availability of alternate fuels to end-use customers, precise data concerning the impact of curtailments on the economy, and detailed end-use information. We are working on a coordinated basis with FEA to secure information which we have long sought.

Very truly yours,



John N. Nassikas
Chairman

Enclosure

FPC Comments GAO Draft
Curtailment Report

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APPENDIX I

APPENDIX I

COMMISSION COMMENT ON GAO DRAFT CURTAILMENT REPORT

The General Accounting Office has requested the Federal Power Commission to comment on a proposed GAO report to Congressman Pierre J. du Pont of Delaware on the need to evaluate the effectiveness of the natural gas curtailment policy of the Commission. The draft report states that the Commission "lacks authority to obtain the necessary data to evaluate the effectiveness of its natural gas curtailment policy," and further states that without "end-use and economic impact information the Commission cannot determine whether pipelines are distributing available natural gas as specified in approved curtailment plans or whether modifications need to be made in such curtailment plans to achieve the objectives of the curtailment policy."

In general, the Commission does not agree that current limitations on its authority to obtain information concerning natural gas usage have made it impossible to regulate effectively the curtailment of deliveries by interstate natural-gas pipeline companies. The Commission has, however, taken a number of steps to increase the amount and reliability of the data which it depends upon in formulating its curtailment policies, and has consistently supported legislation to expand its authority to secure information concerning the natural-gas industry.

Two examples of the Commission's efforts to improve its information capability in the natural gas field are the recent promulgation of a new FPC Form No. 69, and its longstanding support of proposals to amend Section 14 of the Natural Gas Act. (Both topics are more fully discussed later in these comments).

FPC Form No. 69, issued June 25, 1972, is designed to define the extent to which alternate fuels may be utilized to meet the requirements of those

end-use customers of interstate pipelines who will not be able to continue satisfying their energy needs with natural gas due to the imposition of increasing levels of curtailment upon such customers by interstate pipeline companies or foreign suppliers of natural gas. Form No. 69 will enable the Commission to acquire, on a regular basis, information regarding the alternate fuel situation of the pipelines' direct end-use customers that is required to assist the Commission in formulating its over-all curtailment policy as well as specific curtailment plans for individual interstate pipeline companies. Suppliers of natural gas who are not subject to the jurisdiction of the Commission will be required to file a similar and complementary form with the Federal Energy Administration (FEA). Form No. 69 was developed by the FPC in coordination with the FEA, the National Association of Regulatory Utility Commissioners, and other governmental agencies.

Since the 84th Congress, the Commission has urged the amendment of Section 14 of the Natural Gas Act, which concerns the Commission's investigatory and information-gathering jurisdiction. ^{1/} The Commission has sponsored numerous Congressional bills embodying its proposals in this regard, and although no Commission bill has been sent to the 94th Congress, the informational provisions of S. 652 in the current Congress are substantially similar to past Commission-

^{1/} The recommendation was included in S. 1680, 94th Congress, S. 2259, 86th Congress, S. 1603 and H.R. 6963, 87th Congress, 1st Session, and in Section 7 of S. 2742 and of H.R. 10346, 87th Congress, 2nd Session. The proposal was later introduced as a separate measure, S. 3343 and H.R. 12011, 87th Congress, 2nd Session, and reintroduced as S. 1463 and H.R. 5267 in the 88th Congress; S. 1530 and H.R. 5871 in the 89th Congress; S. 1720 and H.R. 6548 in the 90th Congress; S. 3900, S. 4290 and H.R. 7530 in the 91st Congress; S. 401, S. 701 and H.R. 3568 in the 92nd Congress; and in the 93rd Congress as S. 1529 and H.R. 8257.

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

sponsored legislation, and are supported by the Commission. S. 692 would authorize and direct the Commission to study the production, gathering, storage, transportation, distribution and sale of natural, artificial, or synthetic gas, however produced, throughout the United States and its possessions.

The Commission's efforts to acquire data bearing upon the gas curtailment situation are not limited to end-use or alternate fuel considerations. On February 20, 1975, the Commission initiated an investigation in Docket No. RP75-112, ordering 12 interstate pipeline companies and 68 independent producers to show cause why certain natural gas reservoirs in the offshore Federal domain area of the Gulf of Mexico are currently in a nonproducing status and why they "could not or should not" be produced. A second phase of this investigation will cover offshore state and onshore dedicated nonproducing reserves.

The Commission also has underway investigations of the gas reserve holdings and production levels for two major interstate pipelines whose curtailments during the 1974-75 winter exceeded projections. On January 8, 1975 the Commission, in Docket No. RP75-51, instituted a comprehensive investigation of the circumstances surrounding increased curtailments anticipated on the system of Transcontinental Gas Pipe Line Corp. and seeking a determination as to current projections of curtailment on that system. Similarly, on December 24, 1974, the Commission instituted an investigation in Docket No. RP75-45, to determine the severity and causes of the increased supply shortfall on the Tennessee Gas Pipeline Co. system.

In short, while the Commission believes that expansion of its powers relative to the acquisition of information on the natural-gas industry would be in the public interest, it has effectively used the tools at hand to assure that the information base which underlies its gas curtailment policies is sufficient, both in terms of scope and accuracy, to permit informed and equitable decisionmaking.

APPENDIX I

APPENDIX I

COMMISSION ACTIONS ON CURTAILMENTS

As a result of the pervasive, deepening natural gas shortage, the Commission has been required to devote a greater proportion of its regulatory activities to problems of allocating the shortfall between existing customers of interstate pipelines.

On November 4, 1970, the Commission, under Docket No. R-405, a Policy Statement Notice of Investigation and Proposed Rulemaking with Respect to Developing Emergency Plans, stated that it proposed, after investigation, to issue rules establishing policies to prescribe procedures for developing load relief and curtailment plans for natural gas pipeline companies and electric power systems. This investigation resulted in the Commission issuing Order No. 431 on April 15, 1971. In FPC v. Louisiana Power and Light Company, 406 U.S. 621 (1972), the Supreme Court upheld the Commission's jurisdiction to approve end-use curtailment plans filed by jurisdictional pipeline companies. The Court stated that the Commission could regulate curtailment practices of pipelines under its transportation jurisdiction and under Sections 4 and 5 of the Natural Gas Act.

The statement of general policy contained in Order No. 431 provides that jurisdictional pipeline companies shall take all steps necessary for the protection of as reliable and adequate gas service as possible. The Commission encouraged companies to fill all storage fields, required the filing of curtailment plans, set forth procedures under which short-term gas purchases might be made, encouraged pipelines to enter into exchange agreements and took other actions designed to establish a regulatory system which would assure the highest degree of gas service achievable with the present limited available supplies.

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APPENDIX 7

APPENDIX I

This order specifically directed that consideration be given to the curtailment of volumes equivalent to all interruptible sales and to the curtailment of large boiler fuel sales where alternate fuels are available.

On January 8, 1973, the Commission in its Order No. 467 issued a statement of policy on priorities of deliveries by interstate pipeline companies. The Commission on January 15, 1973, issued Order No. 467-A amending its earlier statement of policy on priorities of delivery to require that tariffs filed with the Commission should reflect sufficient flexibility to permit pipeline companies to respond to emergencies, including environmental emergencies, during periods of curtailment where supplemental deliveries are required to forestall irreparable injury to life or property.

On March 2, 1973, the Commission further amended its statement of policy in Order No. 467-B, in which it set forth currently effective initial priorities to be followed by jurisdictional pipeline companies during periods of curtailment. Order No. 467-C, issued April 4, 1974, defined procedures for filing requests for relief from curtailment by customers of interstate pipelines. In Order No. 493-A, issued October 29, 1973, the Commission adopted certain definitions to standardize the end-use classifications used in the curtailment priority schedule. The priorities of service and the definitions, taken together, initially establish the order by which interstate pipeline companies should effectuate natural gas curtailment to their customers.

In general, the priorities of service prescribed in the Commission's policy statement are based on (1) consideration of the relative needs of residential and small commercial consumers who cannot be mandatorily curtailed due to unacceptable safety risks associated with natural gas service to this

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

class of consumers, (3) the needs of large commercial consumers and industrial consumers who must use natural gas for plant protection, process requirements, or feedstock and (3) the needs of large volume industrial boiler fuel users and other industrial consumers who can convert to use alternate fuels. The priorities require the largest users to be first curtailed; the priorities are applicable to the end-users of natural gas by the industrial economy at large, rather than to particular groups of industrial consumers based upon some ranking of relative importance to the nation of specific industrial activities or products.

The priorities prescribed by the Commission in its policy statement are Guidelines to curtailment, and are not self-executing upon the curtailment practices employed by interstate pipeline companies. The Commission is required by the Natural Gas Act and the Administrative Procedure Act to provide opportunity for formal hearing, initially before an Administrative Law Judge, on curtailment plans proposed by pipeline companies in which all affected parties may participate through testimony, cross examination and briefs.

The rights of affected parties to protect their interests have consistently been recognized by the Commission in its policy statements in Order Nos. 457 et seq., in which it has defined the guideline nature of the policy and the opportunity for consumers to present facts and arguments as to their particular circumstances.

As an important adjunct to its regulation of natural gas curtailments, the FIC has developed procedures to grant extraordinary relief from curtailment upon a showing of irreparable injury by a customer of an interstate pipeline company. The Commission has granted timely relief in a number of

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

situations to industrial consumers including fertilizer manufacturers and other agriculture-related uses threatened by shut-off of natural gas deliveries.

On July 26, 1974, the Commission requested detailed information from 42 major interstate pipeline companies as to anticipated curtailments to their customers, and the estimated impact thereof on the availability of alternate fuels for the reporting period November 1974 through March 1975. This information was required to determine the probable extent of local and regional industrial dislocation, if any, and was necessary in the coordination of the Commission's responsibilities with those of the Federal Energy Administration (FEA). Data summaries, prepared by the Commission's staff pursuant to this request, were distributed to FEA regional and headquarter offices, state energy offices and public utility commissions, the press, and to the general public through our Office of Public Information.

On July 11, 1974, the Commission's Chairman sent a letter to the Future Requirements Committee (a group composed of members from the gas producing, pipeline, and distribution industries), requesting initiation of studies involving (1) collection and reporting of historical curtailment experience, and (2) the impacts of prospective gas curtailments in the end-use markets for the winter of 1974-75. This request was presented by Commission staff at the FRC meeting in Seattle on July 31 and August 1, 1974 and the study for the 1974-75 winter was completed in November 1974. Again, the information provided by this study was coordinated with the FEA.

On August 3, 1974, the Commission's Chairman established the Interagency Task Force on the Economic Impact of the Curtailment of Gas, composed of government agencies whose policies are affected by the gas supply situation.

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

balance, to examine the impact of present and prospective curtailment of gas service on agriculture, industry, employment and the economy. A report prepared by the Task Force in the fall of 1974 indicated the limitations of the data needed to determine policies for minimizing the effects of curtailment. One result of this effort was the development, in cooperation with the FEA, of the Commission's Form No. 69 and a complementary form to be issued by the FEA. This topic will be further discussed later in these comments.

Further evaluation of the impact of natural gas curtailments on the nation's economy and the development of a national energy strategy will be undertaken by an advisory committee to the National Gas Survey, which will include inputs from all aspects of the gas industry, state agencies, academia, consumers and environmentalists as well as federal agencies.

In administering its policies regarding curtailments of natural gas deliveries by interstate pipeline companies, the Commission consistently has made extensive use of data regarding the end-use of natural gas by consumers, as well as their alternate fuel capabilities and the potential economic and employment impacts. In the curtailment proceedings for United Gas Pipe Line Company (Docket Nos. RP71-29 and RP71-120), the Commission by letter of June 6, 1973 requested gas supply and end-use information from United's direct industrial and city-gate customers, resulting in the submission of information which fills two six-inch thick volumes. Numerous consumers and distributors became parties to curtailment proceedings pursuant to the Commission's policy of providing the greatest possible opportunity for affected parties to defend their interests, and through written submissions and oral testimony provide information concerning their particular situations.

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

ORDER NO. 531 IN DOCKET NO. R-472

By Order No. 531 in Docket No. R-472, issued June 25, 1975, the Commission promulgated a new Form No. 69, designed to determine the extent to which alternate fuels may be utilized to meet the requirements of those end-use customers of interstate pipelines who will not be able to continue satisfying their energy needs with natural gas due to the imposition of increasing levels of curtailment upon such customers by interstate pipeline companies or foreign suppliers of natural gas. Form No. 69 will enable the Commission to require, on a regular basis, information regarding the alternate fuel situation of the pipelines' direct end-use customers that is required to assist the Commission in formulating its over-all curtailment policy as well as specific curtailment plans for individual interstate pipelines companies.

The Commission, in its Order No. 523 in Docket No. R-472, issued February 6, 1975, withheld passing upon the inclusion of Schedule 1B and Schedule 1C in FPC Form No. 16 in deference to numerous comments that had been submitted by interested parties. Schedule 1A that was incorporated into FPC Form No. 16 by Order No. 523 only shows system-wide summary information concerning pipeline company supply requirements and curtailments. Proposed Schedule 1B to Form No. 16, upon which action was deferred in Order No. 523, would have required each curtailed distributor receiving 100,000 Mcf per year or more to provide the names of the customers curtailed by such distributor, the volumes involved, certain end-use data, alternate fuel information, location and SIC code. (SIC Code relates to the Standard Industrial Classification issued by the Office of Management and Budget). The proposed Schedule 1C, also deferred, would have required pipelines to provide end-use, location, SIC code and

APPENDIX I

APPENDIX I

While the Commission in the past has not maintained a program for examining the gas supply and alternate fuel postures of end-users on a case-by-case basis subsequent to the implementation of curtailment plans, its procedures for emergency relief from curtailment have been very effective in assuring that the particular end-use or alternate fuel needs of individual consumers are recognized and accommodated where possible. Under the emergency procedures provided by Commission Order No. 467-C, numerous petitions requesting treatment different from that which would normally be accorded under the Commission's curtailment priority schedule have been adjudicated. In these proceedings the Commission considers a broad range of factors, including, among other things, the technical practicality and economic feasibility of converting to alternate fuels, and the potential impact upon jobs. As a result of the Commission's action in expeditiously processing requests for emergency curtailment relief, no widespread unemployment occurred anywhere in the nation last winter as the result of curtailments of natural gas deliveries.

BEST DOCUMENT AVAILABLE

APPEND X I

APPENDIX I

alternate fuel information for each large direct customer curtailed by the pipeline.

The Commission's Form No. 69 was developed by the FPC in coordination with the Federal Energy Administration, the National Association of Regulatory Utility Commissioners, and other governmental agencies after a series of informal conferences as provided for in Order No. 523. Form No. 69 and the complementary form to be promulgated by the FEA seek the type of data that was initially sought under the proposed schedules 1B and 1C of FPC Form No. 16. The acquisition of this data is an essential prerequisite to any subsequent measures that may be taken to offset the disruptive impact envisaged under the increased curtailments of natural gas.

Form No. 69 will be filed with the Commission only by jurisdictional suppliers. Suppliers of natural gas who are not subject to the jurisdiction of the FPC will not be affected by the promulgation of Form No. 69, but will be required to file a similar and complementary form with the Federal Energy Administration. Those suppliers of natural gas subject to the Commission's jurisdiction would file only with the FPC. In this manner, a single coordinated form may be filed by those required to report to the Commission, thereby satisfying the mutual requirements of both the FPC and the FEA for this data. In Order No. 531, the Commission directed that the information gathered on Form No. 69 will be routinely provided the FEA for use in its activities and placed in the Commission's public file for use by other governmental agencies and the public. The Commission concluded that such data should be available not only to all other governmental agencies but the public.

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

as well since the value to the public of this information far outweighs any demonstrated pecuniary interest in confidentiality. The Commission has not been informed whether the data collected by the PEA will be released to other governmental agencies or to the public.

The data required by Form No. 69 is to be submitted to the Commission by August 1, 1975, for the actual period from April 1, 1974 to March 31, 1975, and for the quarterly period ending June 30, 1975, and thereafter on a quarterly basis on or before April 30th, July 30th, October 30th, and January 30th of each year. This timetable does not comport with the statement made in the last sentence of the first paragraph on page 23 of the GAO draft report.

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APPENDIX I

APPENDIX I

ORDER OF JUNE 11, 1975 IN DOCKET NOS. RPTL-42, ET AL.

On June 11, 1975, the Commission issued an order in Docket Nos. RPTL-42, et al., directed against fourteen interstate pipelines which project curtailments of firm requirements in excess of 20% during the upcoming winter heating season. Among the pipelines included in the order were Eastern Shore Natural Gas Company and Transcontinental Gas Pipe Line Corporation. In the order, the Commission directs the convening of conferences for each of the fourteen pipelines, to be scheduled between July 15 and August 15, 1975, so that the pipelines and their customers, both direct and indirect, can inform the Commission as to how the projected shortages will impact upon their systems, how they plan to deal with the shortages, and the flexibility the pipelines and their customers may call on in dealing with the shortages.

In order to properly evaluate the seriousness of the gas supply situation for the forthcoming winter season and to provide, where necessary and possible, ameliorating plans, all customers of the fourteen named pipelines are urged, and those who are parties to the pipelines' curtailment proceedings are directed, to provide data to the fourteen pipelines. This data will enable the pipelines to provide required information to the Commission, their customers, state regulatory bodies and the Federal Energy Administration, regarding (1) the priority-of-service categories which are expected to be curtailed on an average daily system-wide basis by the pipelines and their distribution customers during the months November 1975 through March 1976, (2) the average daily (Mcf) and peak day (Mcf) flexibility to be gained by maximization of purchases from producers, maximization of storage, and LNG or JNG for each month of the coming winter, and (3) for both direct industrial customers of the pipelines and

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

industrial customers of curtailing distributors, (a) the type of natural gas purchase contract (firm or interruptible), (b) existing alternate fuel capability, (c) the kind and amount of alternate fuels needed for each month during the 1975-76 heating season, after curtailment as shown on FPC Form 1b, (d) the kind and amount of alternate fuels believed to be available for each month of the 1975-76 winter season, (e) the deficiency of alternate fuels by kind and amount for the 1975-76 winter season, and (f) a description of operating options available to the industrial customer if no additional natural gas or alternate fuels are provided.

BEST DOCUMENT AVAILABLE

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

COMMISSION'S LEGISLATIVE PROPOSALS RE INFORMATION AUTHORITY

Although the Commission does not agree that its information-gathering powers have been inadequate to the task of effectively regulating natural gas curtailments, it does believe that an expansion of its capabilities in this regard would facilitate the discharge of its statutory responsibilities. Beginning with the 84th Congress, the Commission has consistently supported legislation to expand its authority to gather and disseminate information regarding the natural-gas industry. From the 91st to 93rd Congresses, eight Commission-sponsored bills were introduced that would have amended Section 14 of the Natural Gas Act (52 Stat. 828, 15 U.S.C. 717m) to grant the Commission informational authority similar to that conferred upon it with regard to the electric power industry by Section 311 of the Federal Power Act (49 Stat. 859, 16 U.S.C. 825j). In the 94th Congress, the Commission has supported the informational provisions of S. 692, as reported to the Senate by the Senate Commerce Committee on June 12, 1975. These provisions of S. 692 would be included in Section 207(g) of a proposed Title II of the Natural Gas Act, but would be substantially similar to the Commission's previous proposals to amend Section 14.

Section 207(g)(1) of S. 692 would authorize and direct the Commission to study the production, gathering, storage, transportation, distribution, and sale of natural, artificial, or synthetic gas throughout the United States, whether or not such activities were otherwise subject to the jurisdiction of the Commission, and regardless of whether such activities were by private or governmental entities. The Commission would be required, insofar as practicable, to secure and keep current information on the "rates, charges, and contracts

APPENDIX I

APPENDIX I

in respect to the sale of natural gas and its service to residential, rural, commercial and industrial consumers, and other purchasers by private and public agencies," and on the relation of these and other specified facts to "the development of conservation, industry, commerce and national defense." The Commission would be required to report to Congress and could publish the results of studies made under the bill's provisions.

BEST DOCUMENT AVAILABLE

APPENDIX I

APPENDIX I

CONCLUSION

The Commission, in short, believes that its natural gas curtailment policies have been administered in as effective a manner as possible in light of its statutory abilities and the sheer magnitude of the curtailment problem. The Commission has underway a number of actions designed to assure that the information upon which the Commission must necessarily rely in formulating its curtailment policies is sufficiently detailed and accurate to permit responsive and expeditious decisionmaking. These actions include new Commission policies in regard to end-use and alternate fuel data, cooperation with other government agencies and the private sector in obtaining such data, and the support of legislation to expand the Commission's authority to obtain information regarding the nation's natural-gas industry. The Commission recognizes the necessity of informed decisionmaking on its part, and is making substantial efforts to assure that curtailment policies conform to the realities of natural-gas consumption among all classes of the nation's gas consumers.

BEST DOCUMENT AVAILABLE

APPENDIX II

APPENDIX II



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

JUL 18 1975

OFFICE OF THE ADMINISTRATOR

Mr. Monte E. Canfield, Jr.
Director
Office of Special Programs
U.S. General Accounting Office
Washington, D.C. 20548

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Dear Mr. Canfield:

We have reviewed your draft report entitled "Need to Evaluate the Effectiveness of Natural Gas Curtailment Policy," which you enclosed with your letter of June 20, 1975.

We submit the following comments for your consideration in preparing the final report.

1. FEA and FPC have developed the necessary system to gather data on gas curtailments for both interstate and intrastate pipelines, down to the ultimate consumer. It is not, therefore, imperative at this time for the GAO to seek legislation or revision of the Natural Gas Act to authorize the FPC to obtain such data.
2. With the present information contained in pipeline curtailment reports to the FPC and in proceedings on petitions for extraordinary relief from curtailment, it is possible for the FPC to make an adequate assessment of the impacts on users of its gas curtailment policy.
3. Interstate pipelines do include gas held in storage in projecting available supply and levels of curtailments or supply deficiencies.

Sincerely,

Frank G. Zarb
Frank G. Zarb
Administrator